

Credit Union Department



NEWSLETTER

No. 12-03

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December 31, 2003

RESULTS OF CREDIT UNION COMMISSION MEETING

The Credit Union Commission held a meeting on Thursday, December 18, 2003. At the meeting the Commission:

Adopted amendments to 7 TAC §§91.101 (Definitions), 91.201 (Incorporation Procedures), 91.301 (Field of Membership), 91.801 (Investments in CUSOs).

Adopted proposed new 7 TAC §91.503 (Change in Credit Union President).

Readopted without changes 7 TAC §§91.105 (Applications), 91.110 (Protest Procedures), 91.120 (Loan Notice), 91.205 (Credit Union Name), 91.210 (Foreign Credit Unions), 91.405 (Records Retention), 91.516 (Audits and Verifications). Readopted with a non-substantive change 7 TAC §91.115 (Safety of Unmanned Teller Machines).

Approved for publication and comment in the *Texas Register* the proposed repeal to:

7 TAC §91.401

Approved for publication and comment in the *Texas Register* the proposed new:

7 TAC §91.401 concerning Purchase, Lease, or Sale of Fixed Assets;

7 TAC §91.402 concerning Insurance for Members;

7 TAC §91.406 concerning Credit Union Service Contracts;

7 TAC §91.407 concerning Electronic Notifications;

7 TAC §91.408 concerning User Fees for Shared Electronic Terminals;

7 TAC §91.409 concerning Permanent Closing of an Office or Operation;

7 TAC §91.7000 concerning Certificates of Indebtedness;

7 TAC §91.8000 concerning Discovery of Confidential Information;

7 TAC §93.502 concerning Retention of Attorney;

7 TAC §97.107 concerning Related Entities;

7 TAC §97.207 concerning Authority to Contract;

7 TAC §97.300 concerning Gifts of Money or Property;

Approved for publication and comment in the *Texas Register* the proposed amendments to:

7 TAC §91.501 concerning Eligibility to Hold Office;

7 TAC §91.515 concerning Financial Reporting;

7 TAC §91.206 concerning Underserved Area Credit Unions;

7 TAC §91.719 concerning Loans to Officials and Employees;

7 TAC §91.202 concerning Articles of Incorporation and Bylaws;

7 TAC §91.701 concerning Lending Powers;

7 TAC §91.709 concerning Member Business Loans.

[Click here for the above rules](#)

The Standard Bylaws for State Chartered Credit Unions concerning a President/Employees Ability to Serve on the Board. [Click here for the Standard Bylaws](#)

Established February 20, 2004 as its meeting date.

NOTICE OF LEGISLATIVE ADVISORY COMMITTEE MEETING

The Legislative Advisory Committee will meet on Friday, January 16, 2004, at 9:00 in Austin at the offices of the Credit Union Department.

[Click here for a copy of the agenda](#)

COMMISSION ADOPTS INTERPRETATION ON HOME EQUITY LENDING

The Credit Union Commission has approved its initial interpretation concerning home equity lending. At a meeting on December 18, 2003, the Commission adopted an interpretation, which was derived, for the most part, from the *Regulatory Commentary on Home Equity Lending* that was issued by the Department in conjunction with the Department of Banking, Savings and Loan Department and the Office of Consumer Credit Commissioner in 1998. The Commission also adopted a procedure for adopting interpretations. The attached [interpretations](#) become effective on January 8, 2004.

With the passage of SB 1067, during the last regular session of the Legislature, the Commission was empowered to interpret certain sections of the Texas Constitution. The Commission's purpose in issuing an interpretation is to not only construe the actual language of the constitutional provisions, but also to provide a practical framework for home equity lending that reflects the constitutional language and the intent of the legislature and the voters. The adoption of this initial interpretation does not preclude future consideration by the Commission of additional issues that may or may not be addressed at this time.

PROPOSED HOME EQUITY LENDING INTERPRETATIONS

The proposed new home equity lines of credit [interpretations](#) approved for publication and comment by Commission are attached. Any comments on the proposed interpretations should be submitted in writing to Kerri T. Galvin, General Counsel, Credit Union Department, 914 East Anderson Lane, Austin, Texas 78752-1699 or by email to kerri.galvin@tcud.state.tx.us. In order for your comments to be considered, they must be received not later than February 2, 2004.

PROPOSED RULE CHANGES

Attached are copies of the proposed amended Rules approved for publication and comment by the Commission. All comments, favorable or otherwise, should be forwarded to the Department as soon as possible. In order for your comments to be considered by the Commission, the comments must be received no later than February 2, 2004.

YEAR-END CALL REPORTS

Call reports and diskettes for the year ending December 31, 2002, were mailed to each credit union on December 31st. **Please call Isabel Velasquez at (512) 837-9236 if you have not received your packet.** The call report diskettes must be received in the Department's office or the data transmission files uploaded directly to via the Internet on or before **January 22, 2004**.

INDIRECT FINANCING OF MOTOR VEHICLES, GOODS, OR OTHER PERSONAL PROPERTY

Credit unions that have implemented or plan to implement a program of indirect financing of motor vehicles, goods, or other personal property are reminded that purchased retail installment contracts are typically written under the authority of Chapter 345 or 348 of the Finance Code and not the Credit Union Act. Accordingly, different limitations as to interest rates, fees, and charges may be applicable to these retail installment transactions than are usually associated with standard credit union loans to members. Credit unions are encouraged to consult with their legal counsel regarding

permissible rates, fees, and charges for these types of transactions.

APPRAISAL AND EVALUATION FUNCTION FOR REAL ESTATE TRANSACTIONS

The National Credit Union Administration (NCUA), recently issued Letter No. 03-CU-17 to all federally-insured credit unions to clarify the provisions of §722.5 of the NCUA Rules and Regulations (12 C.F.R. 722.5) concerning the independence of a credit union's collateral valuation process.

This Letter clarifies and reminds credit unions of the existing standards for independence within the appraisal and real estate lending regulations and the Interagency Appraisal and Evaluation Guidelines. It applies to all real estate-related financial transactions originated or purchased by a credit union.

Credit unions are reminded that the board of directors is responsible for ensuring that policies and procedures are adopted that establish an effective, independent real estate appraisal and evaluation program that covers all lending functions. A key element of the program must be the independent selection of qualified and experienced individuals to appraise or evaluate real estate. The individuals selected also must be independent of the transaction, and not subject to external or internal influence. Finally, a qualified individual who is not involved in loan production should review the reports.

Examiners will evaluate the risk of a credit union's real estate-related activities based on its size and the nature and complexity of the transactions.

NEW FIELD OF MEMBERSHIP RULES

On December 18, 2003, the Commission voted to adopt new rules regarding field of membership. Significant changes have been made to Rules 91.101 and 91.301 and credit unions are encouraged to familiarize themselves with the new rules before applying for any new field of membership. The Department is preparing new FOM bylaw amendment application forms to reflect the changes made to the rules. The new forms will be available on our website on or before January 8, 2004, which is the effective date of the new rules. If you have any questions regarding the new rules or

new forms, contact Kerri Galvin or Linda Clevlen.

PUBLISHING NOTICE OF APPLICATIONS IN THE TEXAS REGISTER

In order to meet the submission deadlines for the applicable issues of the Texas Register, it is necessary for the Department to establish the publication schedule included below. Completed applications received after the deadline for the month cannot be published until the following month.

<u>Published In</u>	<u>Deadline for Receipt</u>
January 2004	Friday, January 16
February 2004	Friday, February 13
March 2004	Friday, March 12

HOLIDAY SCHEDULE FOR TCUD

The Department's office will be closed on **January 19, 2004**, in observance of Martin Luther King, Jr. Day.

NEW YEAR WISH

The Credit Union Commission and the Staff of the Department would like to extend our best wishes for a New Year of health, happiness, and prosperity.



APPLICATIONS APPROVED

Applications approved since November 30, 2003 include:

Field of Membership Change(s) Approved:

<u>Credit Union</u>	<u>Changes or Groups Added</u>
Dallas County Credit Union (Dallas)	See Newsletter No. 10-03
Neighborhood Credit Union (Dallas) (Conditional)	See Newsletter No. 10-03
EDS Credit Union (Dallas) (Amended) Persons who live, work or are located in Collin County, Texas.	See Newsletter No. 10-03
Texans Credit Union (Richardson) (#2) (Amended) Persons who work or reside within Dallas County, Texas.	See Newsletter No. 10-03
Harlingen Area Teachers Credit Union (Harlingen)	See Newsletter No. 11-03
Fort Worth City Credit Union (Houston)	See Newsletter No. 11-03
Texas DPS Credit Union (Austin)	See Newsletter No. 11-03
Reed Credit Union (Houston)	See Newsletter No. 11-03

Articles of Incorporation Change(s) Approved:

ChevronTexaco Employees Credit Union (Houston)	See Newsletter No. 11-03
Community Credit Union (Plano)	See Newsletter No. 11-03

APPLICATIONS RECEIVED

The following applications were received and published in the November 28, 2003 issue of the Texas Register.

Articles of Incorporation Change(s):

Associated Credit Union (Deer Park) -- The credit union is proposing to change its name to Associated Credit Union of Texas.

Merger(s) or Consolidation(s) Changes:

An application was received from West Texas Credit Union (El Paso) seeking approval to merge with Tepeyac Federal Credit Union (El Paso). West Texas Credit Union will be the surviving credit union.

Comments or a request for a meeting by any interested party relating to an application must be submitted in writing within 30 days from the date of this publication. Any written comments must provide all information that the interested party wishes the Department to consider in evaluating the application. All information received will be weighed during consideration of the merits of an application. Comments or a request for a meeting should be addressed to the Texas Credit Union Department, 914 East Anderson Lane, Austin, Texas 78752-1699.